

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

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CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Ken Slater	Chairman	Cherokee
Chuck Lindgren	Vice-Chairman	Aurelia
Roger Smith	Board Member	Meriden
Bud Clow	Board Member	Cherokee County
Les Pederson	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Tim Preuss	Board Member	Quimby
Don Parrott	Board Member	Washta
Don Pitts	Manager	
Julie Mugge	Assistant Manager	
John Loughlin, Jr.	Attorney	

INDEPENDENT AUDITORS' REPORT

To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2006 on our consideration of the Cherokee County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 23, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues increased 0.34% or \$4,628, from fiscal 2005 to fiscal 2006. County fees, individual, and recycling sales decreased. City fees, commercial, specialty, appliance disposal, and miscellaneous income increased.
- * The Commission's operating expenses were 11.85%, or \$160,092, more in fiscal 2006 than in fiscal 2005.
- * The Commission's net assets decreased 3.06%, or \$81,706, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The Cherokee County Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Cherokee County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues and Expenses is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2006 totaled approximately \$2,583,000. This compares to approximately \$2,664,000 at the end of fiscal 2005. A summary of the Commission's net assets is presented below.

NET ASSETS		
	2006	2005
Current Assets	\$1,862,000	\$1,861,346
Restricted Investments	235,565	206,348
Capital Assets at Cost, Less Accumulated Depreciation	1,677,353	1,721,675
Other Assets	18,421	18,421
TOTAL ASSETS	<u>\$3,793,339</u>	<u>\$3,807,790</u>
Current Liabilities	\$ 129,439	\$ 117,119
Long Term Debt	36,616	48,822
Other Liabilities	1,044,784	977,643
TOTAL LIABILITIES	<u>\$1,210,839</u>	<u>\$1,143,584</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$1,628,531	\$1,660,647
Restricted	466,955	408,917
Unrestricted	487,014	594,642
TOTAL NET ASSETS	<u>\$2,582,500</u>	<u>\$2,664,206</u>

The largest portion of the Commission's net assets are invested in capital assets (63%, e.g., land, buildings and equipment), less the related debt portion of net assets, which are resources allocated to capital assets.

A portion of the Commission's net assets (19%) is unrestricted and may be used to meet the Commission's obligations as they come due. The remaining net assets (18%) is restricted for closure and postclosure care, for tonnage fees due to or restricted by the State of Iowa and Board designated funds. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues and Expenses

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, rental income and rental expenses. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2006 and 2005 is presented below:

REVENUES AND EXPENSES

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Counties Fees	\$ 422,185	\$ 552,250
Cities Fees	228,861	226,981
Sanitary Services Fees	103,808	112,628
Commercial	123,531	37,074
Wells Blue Bunny	110,806	91,990
Continental Deli	54,804	75,177
Hy-Vee	6,520	5,600
Individuals	12,102	14,356
Specialty	74,547	5,112
Appliance Disposal	7,670	7,330
Miscellaneous	9,715	296
Sales:		
Cardboard	55,478	82,679
Plastics	74,864	44,688
Metals	2,836	5,375
Aluminum	39,876	35,648
Paper	41,947	47,738
Iowa Department of Natural Resources Grant	0	20,000
TOTAL OPERATING REVENUES	<u>\$1,369,550</u>	<u>\$1,364,922</u>
OPERATING EXPENSES:		
Salaries	\$ 538,728	\$ 495,533
Payroll Tax Expense	79,279	69,959
Directors and Management Fees	6,426	5,728
Sublet Contract Work	46,418	49,164
Newspaper Purchased	9,959	9,853
Advertising and Sales Promotion	35	0
Shop Supplies and Expenses	35,308	39,402
Insurance	70,944	64,798
Medical Insurance	91,953	75,437
Vehicles Expense	21,699	21,613
Freight	2,368	2,505
Appliance Disposal Fees	11,420	6,178
Repairs - Building	4,003	4,548
Repairs - Equipment	12,417	12,541
Landfill Dirt Work and Topcoat	3,300	3,300
Rock Expense	2,268	5,948
Landfill Fuel Expense	41,409	25,021
Landfill Expenses	44,407	36,476
Recycling Expense	14,596	26,315
PCB Clinic Expenses	20,326	18,276
Depreciation	180,613	184,260
Utilities	31,631	31,066
Engineering and Testing	18,206	22,368
Iowa Department of Natural Resources		
Tonnage Fees	45,163	56,697
Leachate	5,401	7,387
Office Supplies and Postage	5,568	5,852
Dues and Subscriptions	231	149
Professional Services	13,223	5,696
Meeting, Travel and Entertainment	68	8
Bad Debt Expense	82,846	151
License, Fees and Permits	1,271	609
Closure and Postclosure Care Costs	67,141	61,752
Cafeteria Plan Expense	25	25
Miscellaneous Expense	1,580	1,523
TOTAL OPERATING EXPENSES	<u>\$1,510,230</u>	<u>\$1,350,138</u>
OPERATING INCOME (LOSS)	<u>\$ (140,680)</u>	<u>\$ 14,784</u>

	YEAR ENDED JUNE 30,	
	2006	2005
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 55,781	\$ 30,966
Land and Rental House Income	7,105	6,990
Rental House Repairs	(1,318)	(2,656)
Rental House Insurance	(420)	(396)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,024)	(1,058)
(Loss) on Sale of Equipment	(82)	0
NET NON-OPERATING REVENUES	<u>\$ 58,974</u>	<u>\$ 32,778</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (81,706)</u>	<u>\$ 47,562</u>

The Statement of Revenues and Expenses reflects a negative year with a decrease in the net assets at the end of the fiscal year.

In fiscal 2006, operating revenues increased by \$4,628, or 0.34%. Operating expenses increased by \$160,092, or 11.85%. The increase was primarily a result of an account receivable written off as a bad debt for \$82,846.

Statement of Changes in Net Assets

A summary of changes in the Net Assets for the years ended June 30, 2006 and 2005 is presented below:

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	TOTAL
Balance-July 1, 2004	\$558,928	\$1,658,386	\$ 94,284	\$180,158	\$124,888	\$2,616,644
Increase (Decrease) in Net Assets	39,440	2,261	1,277	3,977	607	47,562
Transfers -						
In	74,984	0	30,000	22,000	26,710	153,694
Out	(78,710)	0	(30,000)	0	(44,984)	(153,694)
Balance-June 30 2005	<u>\$594,642</u>	<u>\$1,660,647</u>	<u>\$ 95,561</u>	<u>\$206,135</u>	<u>\$107,221</u>	<u>\$2,664,206</u>
Increase (Decrease) in Net Assets	(59,612)	(32,116)	2,071	7,430	521	(81,706)
Transfers -						
In	20,000	0	24,000	22,000	22,016	88,016
Out	(68,016)	0	0	0	(20,000)	(88,016)
Balance-June 30, 2006	<u>\$487,014</u>	<u>\$1,628,531</u>	<u>\$121,632</u>	<u>\$235,565</u>	<u>\$109,758</u>	<u>\$2,582,500</u>

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financial activities includes principal repayments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2006, the Commission had approximately \$1,677,000 invested in capital assets, net of accumulated depreciation of approximately \$2,124,000. Depreciation charges totaled \$181,681 for fiscal 2006. More detailed information about the Commission's capital assets is presented in the Statement of Net Assets.

LONG TERM DEBT AND OTHER LIABILITIES

At June 30, 2006, the Commission had \$1,093,606 in debt and other liabilities outstanding, an increase of \$54,935 from 2005. The table below summarizes outstanding debt and other liabilities by type.

	<u>2006</u>	<u>2005</u>
Note Payable - DNR	<u>\$ 48,822</u>	<u>\$ 61,028</u>
Landfill Closure and Postclosure Care Cost	<u>\$1,044,784</u>	<u>\$ 977,643</u>

Additional information about the Commission's long-term debt and other liabilities is presented in Notes 3 and 12 to the financial statements.

ECONOMIC FACTORS

Cherokee County Solid Waste Commission experienced a decrease in its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- * Facilities at the Commission require constant maintenance and upkeep.
- * Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- * Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues. The Commission is also continuing to monitor the costs for the landfill expansion project.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa 51012.

Basic Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	ASSETS	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash in Bank	\$ 89,969	\$ 219,803
Cash in Bank - Board Designated - Equipment	60,819	36,575
Cash in Bank - DNR Tonnage Fees	109,758	107,221
Certificates of Deposit	1,389,745	1,251,500
Certificate of Deposit - Board Designated - Roof	22,999	22,329
Certificate of Deposit - Board Designated - Equipment	37,814	36,657
Accounts Receivable - Governmental	55,824	60,179
Accounts Receivable - Others	47,321	65,624
Accrued Interest Receivable	8,926	4,784
Prepaid Insurance	36,889	50,489
Prepaid Topcoat Expense	220	3,520
Cafeteria Plan	1,716	871
Due From Individual	<u>0</u>	<u>2,007</u>
TOTAL CURRENT ASSETS	<u>\$1,862,000</u>	<u>\$1,861,559</u>
RESTRICTED INVESTMENTS:		
Certificates of Deposit - Restricted - Closure and Postclosure Costs	\$ 234,667	\$ 205,647
Accrued Interest Receivable - Restricted	<u>898</u>	<u>488</u>
TOTAL RESTRICTED INVESTMENTS	<u>\$ 235,565</u>	<u>\$ 206,135</u>
CAPITAL ASSETS:		
Land	\$ 424,000	\$ 424,000
Buildings	821,366	821,366
Machinery and Equipment	2,224,442	2,116,932
Office Equipment and Furniture	20,586	19,087
Land Improvements	201,966	201,966
East Landfill	<u>109,047</u>	<u>92,969</u>
	\$3,801,407	\$3,676,320
LESS - Accumulated Depreciation	<u>2,124,054</u>	<u>1,954,645</u>
NET CAPITAL ASSETS	<u>\$1,677,353</u>	<u>\$1,721,675</u>
OTHER ASSETS:		
Investment - PCB Agency	<u>\$ 18,421</u>	<u>\$ 18,421</u>
TOTAL ASSETS	<u>\$3,793,339</u>	<u>\$3,807,790</u>

LIABILITIES AND NET ASSETS		
	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 80,041	\$ 52,802
Payroll Taxes Payable	9,919	6,400
Sales Tax Payable	1,372	1,909
Accrued Salaries and Vacations Payable	25,901	43,802
Current Maturities of Long Term Debt	<u>12,206</u>	<u>12,206</u>
TOTAL CURRENT LIABILITIES	<u>\$ 129,439</u>	<u>\$ 117,119</u>
LONG TERM DEBT:		
Note Payable - DNR	\$ 48,822	\$ 61,028
LESS - Current Maturities	<u>12,206</u>	<u>12,206</u>
TOTAL LONG TERM DEBT	<u>\$ 36,616</u>	<u>\$ 48,822</u>
OTHER LIABILITIES:		
Landfill Closure and Postclosure Care Costs	<u>\$1,044,784</u>	<u>\$ 977,643</u>
TOTAL NONCURRENT LIABILITIES	<u>\$1,081,400</u>	<u>\$1,026,465</u>
TOTAL LIABILITIES	<u>\$1,210,839</u>	<u>\$1,143,584</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$1,628,531	\$1,660,647
Restricted For:		
Tonnage Fees Retained	109,758	107,221
Closure	142,762	137,996
Postclosure Care	92,803	68,139
Board Designated	121,632	95,561
Unrestricted	<u>487,014</u>	<u>594,642</u>
TOTAL NET ASSETS	<u>\$2,582,500</u>	<u>\$2,664,206</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$3,793,339</u>	 <u>\$3,807,790</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Counties Fees	\$ 422,185	\$ 552,250
Cities Fees	228,861	226,981
Sanitary Services Fees	103,808	112,628
Commercial	123,531	37,074
Wells Blue Bunny	110,806	91,990
Continental Deli	54,804	75,177
Hy-Vee	6,520	5,600
Individuals	12,102	14,356
Specialty	74,547	5,112
Appliance Disposal	7,670	7,330
Miscellaneous	9,715	296
Sales:		
Cardboard	55,478	82,679
Plastics	74,864	44,688
Metals	2,836	5,375
Aluminum	39,876	35,648
Paper	41,947	47,738
Iowa Department of Natural Resources Grant	<u>0</u>	<u>20,000</u>
TOTAL OPERATING REVENUES	<u>\$1,369,550</u>	<u>\$1,364,922</u>
OPERATING EXPENSES:		
Salaries	\$ 538,728	\$ 495,533
Payroll Tax Expense	79,279	69,959
Directors and Management Fees	6,426	5,728
Sublet Contract Work	46,418	49,164
Newspaper Purchased	9,959	9,853
Advertising and Sales Promotion	35	0
Shop Supplies and Expenses	35,308	39,402
Insurance	70,944	64,798
Medical Insurance	91,953	75,437
Vehicles Expense	21,699	21,613
Freight	2,368	2,505
Appliance Disposal Fees	11,420	6,178
Repairs - Building	4,003	4,548
Repairs - Equipment	12,417	12,541
Landfill Dirt Work and Topcoat	3,300	3,300
Rock Expense	2,268	5,948
Landfill Fuel Expense	41,409	25,021
Landfill Expenses	44,407	36,476
Recycling Expense	14,596	26,315
PCB Clinic Expenses	20,326	18,276
Depreciation	180,613	184,260
Utilities	31,631	31,066
Engineering and Testing	18,206	22,368

CHEROKEE COUNTY SOLID WASTE COMMISSION
 CHEROKEE, IOWA
 STATEMENTS OF REVENUES AND EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING EXPENSES - CONTINUED:		
Iowa Department of Natural Resources		
Tonnage Fees	\$ 45,163	\$ 56,697
Leachate	5,401	7,387
Office Supplies and Postage	5,568	5,852
Dues and Subscriptions	231	149
Professional Services	13,223	5,696
Meeting, Travel and Entertainment	68	8
Bad Debt Expense	82,846	151
License, Fees and Permits	1,271	609
Closure and Postclosure Care Costs	67,141	61,752
Cafeteria Plan Expense	25	25
Miscellaneous Expense	<u>1,580</u>	<u>1,523</u>
TOTAL OPERATING EXPENSES	<u>\$1,510,230</u>	<u>\$1,350,138</u>
OPERATING INCOME (LOSS)	<u>\$ (140,680)</u>	<u>\$ 14,784</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 55,781	\$ 30,966
Land and Rental House Income	7,105	6,990
Rental House Repairs	(1,318)	(2,656)
Rental House Insurance	(420)	(396)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,024)	(1,058)
(Loss) on Sale of Equipment	<u>(82)</u>	<u>0</u>
NET NON-OPERATING REVENUES	<u>\$ 58,974</u>	<u>\$ 32,778</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (81,706)</u>	<u>\$ 47,562</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	TOTAL
BALANCE - JULY 1, 2004	\$558,928	\$1,658,386	\$ 94,284	\$180,158	\$124,888	\$2,616,644
Increase (Decrease) in Net Assets	39,440	2,261	1,277	3,977	607	47,562
Transfers -						
In	74,984	0	30,000	22,000	26,710	153,694
Out	(78,710)	0	(30,000)	0	(44,984)	(153,694)
BALANCE - JUNE 30, 2005	\$594,642	\$1,660,647	\$ 95,561	\$206,135	\$107,221	\$2,664,206
Increase (Decrease) in Net Assets	(59,612)	(32,116)	2,071	7,430	521	(81,706)
Transfers -						
In	20,000	0	24,000	22,000	22,016	88,016
Out	(68,016)	0	0	0	(20,000)	(88,016)
BALANCE - JUNE 30, 2006	<u>\$487,014</u>	<u>\$1,628,531</u>	<u>\$121,632</u>	<u>\$235,565</u>	<u>\$109,758</u>	<u>\$2,582,500</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
 CHEROKEE, IOWA
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Gate Fees and Assessments	\$1,163,954	\$1,141,658
Cash Received from Recycling Sales	228,254	216,660
Cash Received From DNR Grant	0	20,000
Cash Paid To Suppliers for Goods and Services	(598,637)	(548,582)
Cash Paid to Employees for Services	<u>(632,389)</u>	<u>(560,457)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 161,182</u>	<u>\$ 269,279</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From DNR Loan	\$ 0	\$ 61,028
Principal Repayments	(12,206)	0
Purchases of Capital Assets	(138,441)	(248,617)
Disposal of Capital Assets	1,000	0
Proceeds From Rental of Property and Equipment - Net of Expenses	<u>3,275</u>	<u>1,812</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (146,372)</u>	<u>\$ (185,777)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of Interest	<u>\$ 51,229</u>	<u>\$ 29,515</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 66,039	\$ 113,017
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,879,732</u>	<u>1,766,715</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,945,771</u>	<u>\$1,879,732</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (140,680)	\$ 14,784
Adjustments to Reconcile Operating		
Income to Net Cash Provided by		
Operating Activities:		
Depreciation	\$ 181,681	\$ 185,328
Closure and Postclosure Costs	67,141	61,752
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	22,658	13,396
Decrease in Prepaid Insurance	13,600	9,328
Decrease in Prepaid Topcoat		
Expense	3,300	3,300
(Increase) in Cafeteria Plan	(845)	(286)
Decrease in Due From Individual	2,007	1,762
Increase (Decrease) in Accounts		
Payable	27,239	(25,268)
Increase in Payroll Taxes Payable	3,519	77
Increase (Decrease) in Sales		
Tax Payable	(537)	148
Increase (Decrease) in Accrued		
Salaries and Vacations Payable	(17,901)	4,958
TOTAL ADJUSTMENTS	<u>\$ 301,862</u>	<u>\$ 254,495</u>
NET CASH PROVIDED BY OPERATING		
ACTIVITIES	<u>\$ 161,182</u>	<u>\$ 269,279</u>
COMPONENTS OF CASH - END OF YEAR:		
Cash in Bank	\$ 89,969	\$ 219,803
Cash in Bank - Board Designated -		
Equipment	60,819	36,575
Cash in Bank - DNR	109,758	107,221
Certificates of Deposit	1,389,745	1,251,500
Certificate of Deposit - Board		
Designated - Roof	22,999	22,329
Certificate of Deposit - Board		
Designated - Equipment	37,814	36,657
Certificates of Deposit - Restricted -		
Closure Costs	234,667	205,647
	<u>\$1,945,771</u>	<u>\$1,879,732</u>
SCHEDULE OF NONCASH CAPITAL		
FINANCING TRANSACTIONS:		
Acquisition of Property and Equipment:		
Cost of Property and Equipment,		
Net of Trade-In	\$ 134,172	\$ 242,747
Loss on Trade-In	4,269	5,870
CASH DOWN PAYMENT FOR PROPERTY		
AND EQUIPMENT	<u>\$ 138,441</u>	<u>\$ 248,617</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site and separation center in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY - For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. JOINTLY GOVERNED ORGANIZATION - The Commission also participates in a jointly governed organization, PCB Solid Waste Agency, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Agency.

Plymouth, Cherokee and Buena Vista landfills are members of PCB Solid Waste Agency.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. JOINTLY GOVERNED ORGANIZATION - Continued:

The Agency does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. BASIS OF PRESENTATION - The accounts of the Cherokee County Solid Waste Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - The following accounting policies are followed in preparing the Statement of Net Assets:

CASH, INVESTMENTS AND CASH EQUIVALENTS - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. The Commission did not have any short-term investments during the years ended June 30, 2006 and 2005.

RESTRICTED ASSETS - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

CAPITAL ASSETS - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>ASSET CLASS</u>	<u>AMOUNT</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (IN YEARS)</u>
Buildings	39
Building Improvements	7-20
Equipment and Vehicles	5-15

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - CONTINUED:

CAPITAL ASSETS - CONTINUED:

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2006 and 2005.

COMPENSATED ABSENCES - Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and personal leave has been computed based on rates of pay in effect at June 30, 2006 and 2005.

ACCOUNTS RECEIVABLE - Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2006 and 2005 was \$ -0- and \$ -0-, respectively.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Commission's deposits in banks at June 30, 2006 and 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission's deposits at North Star Community Credit Union exceeded \$100,000, which is the amount insured by NCUA for the year ended June 30, 2006.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 2 - CASH AND INVESTMENTS - CONTINUED:

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvements certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - LONG TERM DEBT:

Note payable consists of the following:

	<u>2006</u>	<u>2005</u>
Note payable to the Iowa DNR with no interest. Principal payments of \$3,051 are due quarterly through April 15, 2010 with the first payment due July 15, 2005. The note is for a new front end sorter in the recycling center and is financed by the Solid Waste Alternatives Program (SWAP).	\$ 48,822	\$ 61,028
LESS - Current Maturities	<u>12,206</u>	<u>12,206</u>
LONG TERM PORTION	<u>\$ 36,616</u>	<u>\$ 48,822</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2006.

YEAR ENDED JUNE 30,	AMOUNT
2007	\$ 12,206
2008	12,206
2009	12,205
2010	<u>12,205</u>
TOTAL FUTURE MINIMUM PAYMENTS	<u>\$ 48,822</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
 CHEROKEE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006 AND 2005

NOTE 4 - CONTRIBUTED CAPITAL:

Contributed capital on June 30, 2006 and 2005 consists of:

	<u>2006</u>	<u>2005</u>
DNR Grant	\$375,000	\$375,000
In Kind Contribution		
From Lundell Manufacturing	<u>445,000</u>	<u>445,000</u>
	<u>\$820,000</u>	<u>\$820,000</u>

NOTE 5 - RENT INCOME:

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 38 acres of land with unrelated parties. The lease agreement is for \$105 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2007. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$7,105 and \$6,990 for the years ended June 30, 2006 and 2005, respectively.

The future minimum rental on the 38 acres of land is as follows:

YEAR ENDED <u>JUNE 30,</u>	<u>AMOUNT</u>
2007	<u>\$ 1,995</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004, were \$31,354, \$27,703, and \$25,293, respectively, equal to the required contributions for each year.

NOTE 7 - MAJOR CUSTOMER AND ECONOMIC DEPENDENCY:

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$315,824 of total revenues of \$1,369,550 (23%) for the fiscal year ended June 30, 2006, and \$347,327 of total revenues of \$1,364,922 (25%) for the fiscal year ended June 30, 2005. The current contract expires June 30, 2007.

NOTE 8 - RISK MANAGEMENT:

Cherokee County Solid Waste Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 8 - RISK MANAGEMENT - CONTINUED:

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as expenses from its operating fund at the time of payment to the risk pool. The Cherokee County Solid Waste Commission's annual contributions to the Pool for the years ended June 30, 2006 and 2005 were \$25,286 and \$24,851, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 8 - RISK MANAGEMENT - CONTINUED:

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond, and a rental house. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 9 - CASH IN BANK - BOARD DESIGNATED:

The Commission has designated \$2,000 and \$2,000 per month as of June 30, 2006 and 2005, respectively to be deposited in a savings account and a certificate of deposit to be used for equipment purchases. The Board has designated a \$14,000 certificate of deposit as the roof replacement account. This was insurance proceeds received due to hail damage on the building's roof during the fiscal year ended June 30, 1995.

	<u>2006</u>	<u>2005</u>
Balance - Beginning of Period	\$ 95,561	\$ 94,285
Add - Transfers From Operating Account and CD's	24,000	30,000
- Interest Income	<u>2,071</u>	<u>1,276</u>
TOTAL	\$121,632	\$125,561
Less - Transfer to Operating Account	<u>0</u>	<u>30,000</u>
Balance - End of Period	<u>\$121,632</u>	<u>\$ 95,561</u>

NOTE 10- SOLID WASTE TONNAGE FEES RETAINED:

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2006 and 2005, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$109,758 and \$107,221, respectively.

NOTE 11- RELATED PARTY TRANSACTIONS:

The Commission's related party transactions consisted of the following:

1. The Commission's vehicle maintenance and repairs were performed by a shop co-owned by the manager's son. These repairs totaled \$2,407 and \$3,163 for the years ended June 30, 2006 and 2005, respectively.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 11- RELATED PARTY TRANSACTIONS - CONTINUED:

2. The Commission had accounts receivables from the Commission's attorney of \$-0- and \$90 at June 30, 2006 and 2005, respectively.
3. The Commission had various construction work and repairs done by the assistant manager's brother totaling \$-0- and \$1,037 for the years ended June 30, 2006 and 2005, respectively.
4. As stated in Note 5, the Commission has a short term operating lease on the house at the landfill site to an employee.
5. The Commission purchased lumber/supplies from an auction company that the manager works with totaling \$143 and \$-0- for the years ended June 30, 2006 and 2005, respectively.
6. The Commission's front end sorter maintenance and repairs were performed by an employee of the Commission. Payments were not included in payroll. These repairs totaled \$2,905 and \$-0- for the years ended June 30, 2006 and 2005, respectively.

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS:

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

During the fiscal year ended June 30, 1999 it was determined that the Commission could use additional vertical expansion to increase the capacity and life of the currently used portion of the landfill.

June 30, 2006:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$136,117 for closure and \$1,019,073 for postclosure, for a total of \$1,155,190 as of June 30, 2006, and the portion of the liability that has been recognized is \$1,044,784. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 3 years and the capacity used at June 30, 2006 is 90 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2006, assets of \$235,565 are restricted for these purposes, of which \$142,762 is for closure and \$92,803 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

June 30, 2005:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$132,025 for closure and \$988,431 for postclosure, for a total of \$1,120,456 as of June 30, 2005, and the portion of the liability that has been recognized is \$977,643. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 4 years and the capacity used at June 30, 2005 is 87 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2005, assets of \$206,135 are restricted for these purposes, of which \$137,996 is for closure and \$68,139 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

Chapter 567-111.8(7) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 13- CAPITAL ASSETS:

A summary of capital assets at June 30, 2006 and 2005 is as follows:

	<u>2006</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	64,510	16,078	0	80,588
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 488,510</u>	<u>\$ 16,078</u>	<u>\$ 0</u>	<u>\$ 504,588</u>
Capital Assets Being Depreciated:				
Buildings	\$ 821,366	\$ 0	\$ 0	\$ 821,366
Machinery and Equipment	2,116,932	138,628	(31,118)	2,224,442
Office Equipment and Furniture	19,087	1,499	0	20,586
Land Improvements	201,966	0	0	201,966
East Landfill	28,459	0	0	28,459
TOTAL CAPITAL ASSETS DEPRECIATED	<u>\$3,187,810</u>	<u>\$ 140,127</u>	<u>\$ (31,118)</u>	<u>\$3,296,819</u>
Less Accumulated Depreciation For:				
Buildings	\$ 350,413	\$ 26,429	\$ 0	\$ 376,842
Machinery and Equipment	1,524,079	146,440	(12,272)	1,658,247
Office Equipment and Furniture	17,911	548	0	18,459
Land Improvements	60,345	6,366	0	66,711
East Landfill	1,897	1,898	0	3,795
TOTAL ACCUMULATED DEPRECIATION	<u>\$1,954,645</u>	<u>\$ 181,681</u>	<u>\$ (12,272)</u>	<u>\$2,124,054</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$1,233,165</u>	<u>\$ (41,554)</u>	<u>\$ (18,846)</u>	<u>\$1,172,765</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,721,675</u>	<u>\$ (25,476)</u>	<u>\$ (18,846)</u>	<u>\$1,677,353</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 13- CAPITAL ASSETS - Continued:

	<u>2005</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	55,564	37,405	(28,459)	64,510
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 479,564</u>	<u>\$ 37,405</u>	<u>\$ (28,459)</u>	<u>\$ 488,510</u>
Capital Assets Being Depreciated:				
Buildings	\$ 821,366	\$ 0	\$ 0	\$ 821,366
Machinery and Equipment	1,913,655	224,657	(21,380)	2,116,932
Office Equipment and Furniture	19,087	0	0	19,087
Land Improvements	197,594	4,372	0	201,966
East Landfill	0	28,459	0	28,459
TOTAL CAPITAL ASSETS DEPRECIATED	<u>\$2,951,702</u>	<u>\$ 257,488</u>	<u>\$ (21,380)</u>	<u>\$3,187,810</u>
Less Accumulated Depreciation For:				
Buildings	\$ 323,720	\$ 26,693	\$ 0	\$ 350,413
Machinery and Equipment	1,378,320	149,322	(3,563)	1,524,079
Office Equipment and Furniture	16,863	1,048	0	17,911
Land Improvements	53,977	6,368	0	60,345
East Landfill	0	1,897	0	1,897
TOTAL ACCUMULATED DEPRECIATION	<u>\$1,772,880</u>	<u>\$ 185,328</u>	<u>\$ (3,563)</u>	<u>\$1,954,645</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$1,178,822</u>	<u>\$ 72,160</u>	<u>\$ (17,817)</u>	<u>\$1,233,165</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,658,386</u>	<u>\$ 109,565</u>	<u>\$ (46,276)</u>	<u>\$1,721,675</u>

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cherokee County Solid Waste Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B), (C), and (D) are material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B) and (C).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Solid Waste Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 23, 2006

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that sometimes only one person has control over each of the following areas for the Commission:

1. Accounting System - record keeping for revenues and expenses, and related reporting.
2. Receipts - collecting, depositing, journalizing and posting.
3. Bank Reconciliation - preparation and maintenance of accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - It has helped to have a second office employee. The manager also checks information over and we will try to have him do more recordkeeping. He does review everything before it goes out.

Conclusion - Response accepted.

- (B) Capitalization Policy - The Commission has adopted a \$1,000 capitalization policy for property and equipment additions. Items purchased during the year were not correctly coded to the appropriate asset or expense account.

Recommendation - Property and equipment additions costing \$1,000 and above should be coded to the correct asset account. Property and equipment purchases costing below the \$1,000 capitalization policy should be coded to the correct expense account.

Response - We will code to the appropriate accounts.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

- (C) Management Vacation - We noted the allowed vacation accrual limit for a management employee has been exceeded.

Recommendation - The Board should discuss and document the status of unused vacation which exceeds the accrual limit.

Response - We will put this on the agenda for the Board to review.

Conclusion - Response accepted.

- (D) Additional Compensation Not Run Through Payroll - We noted that an individual received compensation for maintenance and services rendered for the front-end sorter. These payments were not included in payroll.

Recommendation - Payment should be included in payroll. For 2006, a 1099 needs to be issued for the payroll not recorded through payroll.

Response - We will issue a 1099 and if this individual is paid again, it will be run through payroll.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (5) Solid Waste Fees Retainage - During the year ended June 30, 2006, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>CLOSURE</u>	<u>POSTCLOSURE</u>
Total estimated costs for closure and postclosure care	\$ 136,117	\$1,019,073
Less: Balance of funds held in the local dedicated fund at June 30, 2005	(137,996)	(68,139)
	<u>\$ (1,879)</u>	<u>\$ 950,934</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2006	<u>\$ 142,762</u>	<u>\$ 92,803</u>

The closure care account is fully funded at June 20, 2006.

The local government guaranty was used in prior years for the Commission to demonstrate financial assurance for postclosure care costs. The Commission obtained the local government guaranty from Cherokee County on June 10, 1997.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

The balance in the postclosure account at June 30, 2006 exceeds the DNR required amount of \$80,533 (\$20,602 x 3 + \$18,727).